4Q 2022 Business Results & Outlook

2023. 2. 9



Disclaimer

The financial information in this document are consolidated earnings results based on K-IFRS.

The previous earnings results have also been stated in compliance with K-IFRS.

The business results for the fourth quarter of 2022 are presented here for investors' convenience.

Hence, please be advised that some of their contents may be altered in the course of audit.

The actual results may differ from those included in this release due to a variety of factors.

LOTTE Chemical undertakes no obligation to update or revise the preliminary provided in this release.

Also, this material is not legally binding for any of investors' investment result.

Forecasts and projections contained in this material are based on current business environments and management's strategies, and they may differ from the actual results upon changes and unaccounted variables.



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2022 Fiscal Year Business Results

Sales & Profit

(Unit: KRW bn, %)

(Unit: KRW bn, %			
	FY`21	FY`22(E)	YoY (%)
Sales	18,121	22,276	4,156 (22.9%)
OP (%)	1,536 (8.5%)	△758 (△3.4%)	△2,294 (Turn to loss)
EBITDA (%)	2,369 (13.1%)	191 (0.9%)	△2,178 (△92.0%)
Pre-Tax Income (%)	1,888 (10.4%)	△379 (△1.7%)	△2,266 (Turn to loss)
Net Income	1,414 (7.8%)	41 (0.2%)	∆1,373 (∆97.1%)

Operating Profit by Business

Inside parenthesis includes yearly OPM

(Unit: %, %p)

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	FY`21	FY`22(E)	YoY (%)
Consolidated (OPM)	1,536 (8.5%)	△758 (△3.4%)	△2,294 (Turn to loss)
Olefin ¹	839 (7.9%)	△554 (△4.0%)	△1,393 (Turn to loss)
Advanced Materials	350 (7.3%)	170 (3.5%)	△180 (△3.7%p)
LC Titan	290 (10.7%)	△295 (△10.0%)	△585 (Turn to loss)
LC USA	143 (24.8%)	△36 (△5.1%)	△180 (Turn to loss)
LOTTE Fine Chemical ²	(-)	82 (11.8%)	82 (mid-year consolidation)

^{*} Note: 1. Simple additions of Consolidated performance of Basic Chemicals Division (Olefin/Aromatic) and other related subsidiaries (KP Chemtech, LOTTE Chemical Pakistan Limited, LOTTE GS Energy), inter-company transactions included;

^{2.} September to December performance included after inclusion as a consolidated subsidiary since the end of August, 2022

4Q 2022 Business Results – Income Statement



(Unit: KRW bn, %)

	4022 (E)		QoQ		YoY	
	4Q22 (E)	3Q22 QoQ		4Q21	QoQ	
Sales	5,496	5,683	△3.3%	5,158	6.5%	
OP (%)	△396 (△7.2%)	△424 (△7.5%)	28 (0.3%p)	30 (0.6%)	△425 (△7.8%p)	
EBITDA (%)	△107 (△1.9%)	△180 (△3.2%)	73 (1.2%p)	243 (4.7%)	△349 (△6.6%p)	
Pre-tax Income	△542 (△9.9%)	△86 (△1.5%)	△456 (△8.3%p)	104 (2.0%)	△645 (△11.9%p)	
Net Income (%)	△81 (△1.5%)	△31 (△0.5%)	△50 (△0.7%p)	62 (1.2%)	△143 (△2.7%p)	

4Q 2022 Business Results – Financial Position

Balance Sheet

Financial Ratio

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		(OTIL. KKVV DII, 76)	
	FY`21	FY`22(E)	YoY (증감률)
Asset	22,855	26,790	3,935 (17.2%)
Cash and Equivalents ¹	4,483	3,725	△758 (△16.9%)
Liabilities	7,416	9,507	2,091 (28.2%)
Borrowings	3,548	6,168	2,620 (73.8%)
Shareholder's Equity	15,439	17,283	1,844 (11.9%)

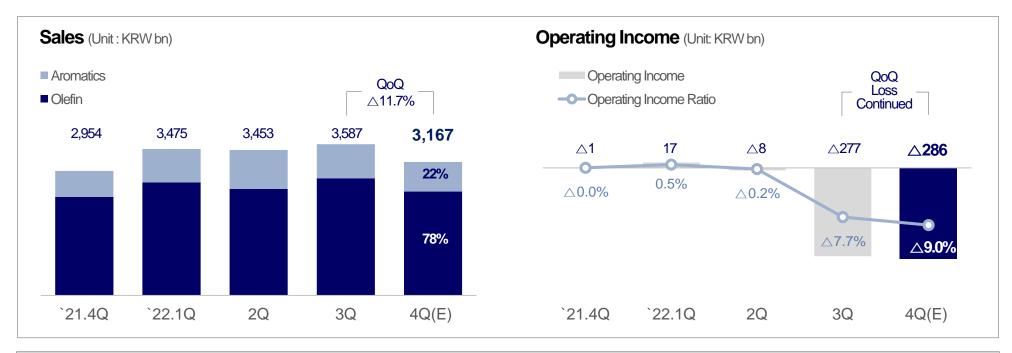
(Unit: %				
	FY`21	FY`22(E)	YoY	
Debt/ Equity	48.0%	55.0%	7.0%p	
Net Debt/ Equity	△6.1 %	14.1%	20.2%p	
ROE ²	9.3%	0.5%	∆8.8%p	
ROA ³	6.0%	0.3%	∆5.7%p	

^{*} Note: 1. Cash and Equivalents = Cash and cash equivalents + Short-term financial instruments + Financial assets at fair value through other comprehensive income;

^{2.} ROE = Annualized net income (if quarter result, current quarter*4) / average of beginning & ending shareholder's equity, Net income and shareholder's equity are based on controlling interest base;

^{3.} ROA = Net income(if quarter result, current quarter*4) / average of beginning & ending of assets

Basic Chemical (Olefin, Aromatics)



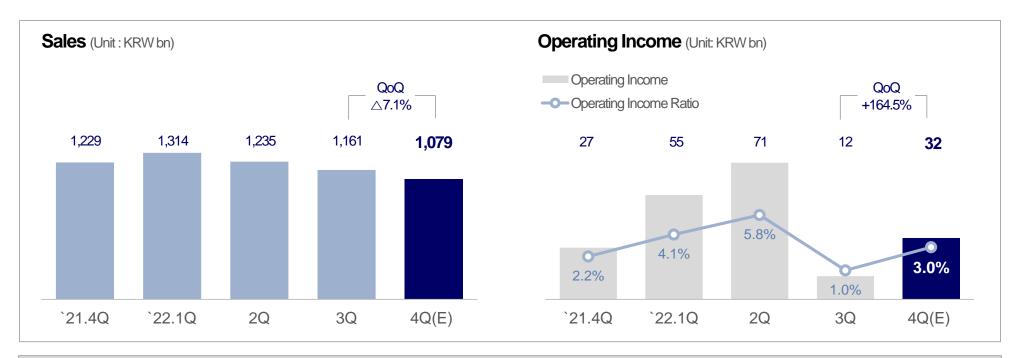
4Q 2022 Earnings Review

- Sales decreased due to reduced product price
- Feedstock cost burden slightly reduced with gradual stabilization of oil price
- Profitability slightly reduced because of decreased demand from weakened global economy and low seasonality

- Forecasting capacity addition burden within the region to be continued
- Expecting profitability to gradually improve with anticipation from Chinese reopening after Lunar New Year, despite global recession fears

^{*} Note: Simple additions of earnings performance by: Basic Chemical business division (Olefin + Aromatics) and its subsidiaries (KP Chemtech / LOTTE Chemical Pakistan Limited / LOTTE GS Chemical), based on separate earnings of LOTTE Chemical, inter-company transactions included.

Advanced Materials

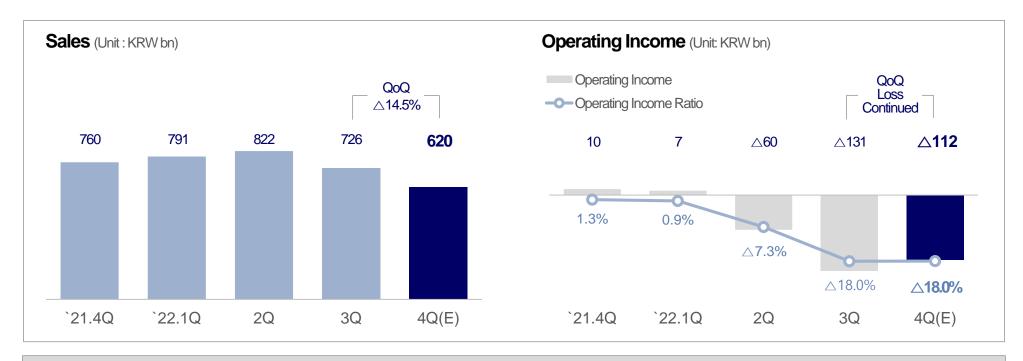


4Q 2022 Earnings Review

- Sales slightly decreased due to falling oil and product price compared to previous quarter
- Profitability improved with margin spread improvement followed by main feedstock price stabilization and decreased freight cost

- Expecting demand to gradually recover within the region, with anticipation from China's reopening after Lunar New Year, despite limited demand recovery from offshore region
- Forecasting profitability to remain flat due to continuous supply burden followed by increased capacity addition within the region

LC Titan

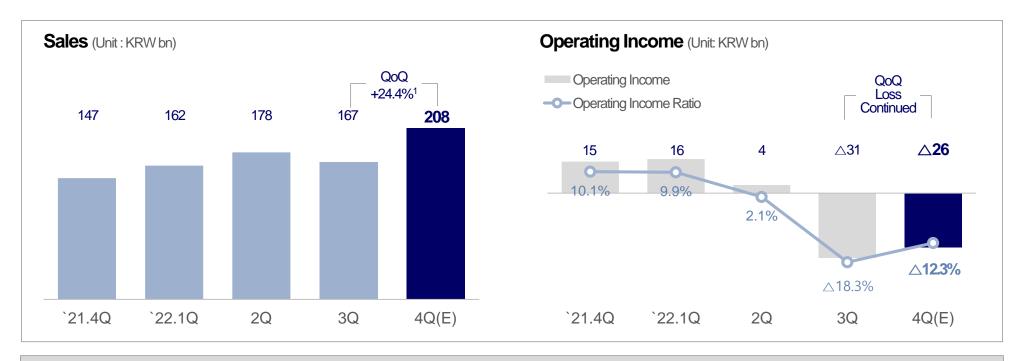


4Q 2022 Earnings Review

- Sales decreased due to falling product price
- Profitability loss continued due to global economic uncertainties and weakened year-end demand although feedstock cost burden lowered and inventory valuation loss reduced due to decreasing oil price

- Expecting demand to slowly recover, with anticipation from China's reopening after Lunar New Year
- Forecasting limited profitability improvement due to increased supply burden with SEA region

LC USA



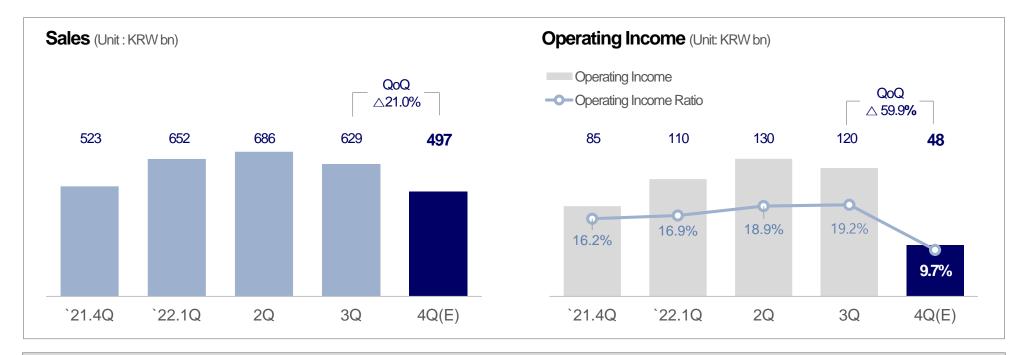
4Q 2022 Earnings Review

- Feedstock cost burden decreased with stabilized ethane price, despite continued weak business condition due to global MEG supply burden
- Some opportunity cost reflected, as USA complex underwent shutdown due to cold wave within the NA region

- Expecting rest of opportunity cost to be reflected followed by USA complex shutdown impact
- Forecasting MEG supply burden within the region to increase
- Expecting profitability to improve with stabilization of feedstock cost, followed by increased stock of natural gas

^{*} Note: 1. Change in accounting standards for sales recognition of by-products, FY´22 sales of by-products reflected in 4Q business results (No change in profit basis)
Feedstock Price – US Ethane (\$/Ton): ① Quarterly Trend – 3Q: 405 → 4Q 287 (▲29.1%) ② Monthly Trend – Oct: 299 → Nov: 300 → Dec 262,
Product Price – US MEG (\$/Ton): ① Quarterly – 3Q 516 → 4Q 469 (▲9.1%) ② Monthly Trend – Oct: 476 → Nov: 454 → Dec: 478

LOTTE Fine Chemical



4Q 2022 Earnings Review

- Sales decreased due to maintenance impact
- Profitability weakened due to chemical division's weakening key product price, despite green materials division's active efforts to increase product price

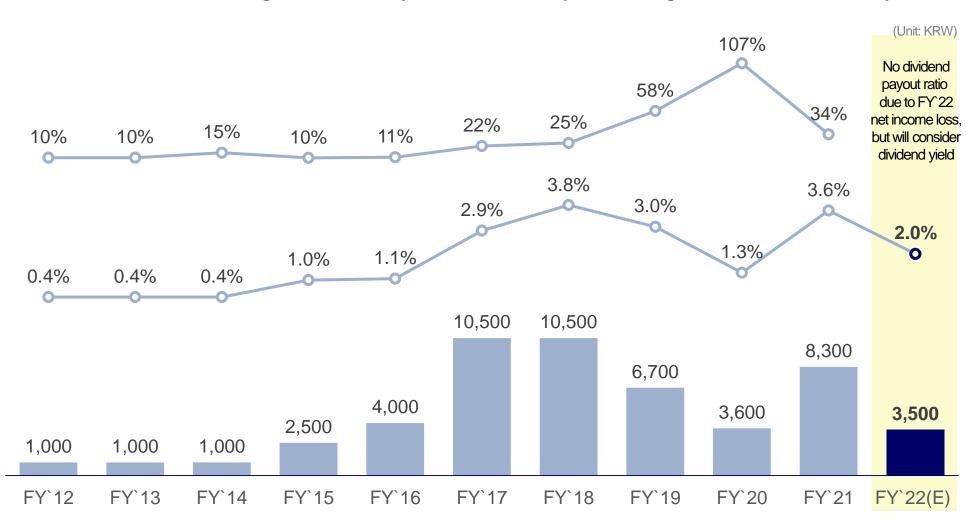
- Expecting productivity to improve after completion of maintenance
- Forecasting green materials division's sales to increase, despite weakened demand from frontline industries of chemicals division

Major Investment Plan

Project	Investment (KRW bn)	Capacity (KTA)	Location	Mechanical Completion (Plan)
LOTTE GS Energy JV	194	BD 90, TBA 70, BN-1 40 MTBE 15	Yeosu, Korea	Commercial Production Start
(51%)	(Total 950)	Phenol 350, Acetone 215 BPA 200	Yeosu, Korea	`24. 1H
EV Battery Electrolyte Solvent	350	Total 118 (HP-EC¹/DMC² HP-EMC³/DEC⁴)	Daesan, Korea	`23.2H `24.1H
D-EOA Expansion	250	HPEO 250, EOA 150	Daesan, Korea	`23. 2H
Chemical Recycled PET	77	BHET 45, C-rPET 110	Ulsan, Korea	`24. 2H
LINE ⁵	3.9bn USD	Ethylene 1,000, Propylene 520, PP 250, BD 140	Indonesia	`25. 1H

LOTTE Chemical Dividend Policy

LOTTE Chemical basically aims for 30% of payout ratio based on parent company's net profit. In addition, the company determines it considering dividend stability, investment for corporate value growth and financial stability.



Appendix | Sales by Regions & Products – As of the end of 2022

Sales by Regions

Sales by Products

	LOTTE Chem. + LCTitan + LCPL + LC USA	LOTTE Chem. (Parent)
Korea	33%	41%
China	18%	20%
Asia-Pacific	25%	15%
EU / Africa	12%	12%
America / Middle East	12%	12%
Total	100%	100%

	LOTTE Chem. + LCTitan + LCPL + LC USA	LOTTE Chem. (Parent)
PE	16%	11%
PP	12%	10%
ABS/PC	21%	26%
EO/EG	8%	6%
BD/SM	5%	5%
NC/BTX	15%	17%
PTA/PET	9%	8%
Others	14%	17%
Total	100%	100%

Appendix | Shareholders & Affiliates – As of the end of 2022



	Shareholders	Shareholding Ratio ¹
	Affiliated	54.93%
	LOTTE Holdings	25.59%
	LOTTE Mulsan	20.00%
	LOTTE Holdings (Japan)	9.30%
	Lotte Foundation for arts	0.03%
	Others	0.01%
Free Float		44.24%
	Foreign Investors	16.46%
Treasury Stocks		0.83%
	Total	100.00%

Major Affiliates

	Company Name		
	LOTTE Battery Materials USA	100.00%	
	LOTTE Chemical USA	90.34%	
Subsi-	LOTTE Chemical Titan	75.86%	
diary	LOTTE Chemical Pakistan Limited	75.00%	
	LOTTE GS Chemical	51.00%	
	LOTTE Fine Chemical		
	LOTTE Versalis Elastomers	50%+1주	
Joint	LOTTE MCC	50.00%	
Venture	LOTTE INEOS Chemical	49.06%	
	LOTTE SK Eneroot	45.00%	
	Kor-Uz Gas Chemical Investment	49.00%	
Related Company	LOTTE E&C	43.79%	
Company	Hyundai Chemical	40.00%	



사랑과 신뢰를 받는 제품과 서비스를 제공하여 인류의 풍요로운 삶에 기여한다

We enrich people's lives by providing Superior products and services that Our customers love trust

